

## Message Text

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ACTION EB-07

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E.O. 11652: GDS

TAGS: EFIN, BEXP, MX

SUBJ: PESO FLOTATION: ATMOSPHERICS.

1. SUMMARY: THE "FLOTATION" OF THE PESO REMAINS THE MAJOR TOPIC OF CONVERSATION IN MEXICO CITY AND A FRONT-PAGE STORY. A GENERAL STATE OF CONFUSTION PERSISTS, BUT THE "TEMPORARY" FIXING OF THE EXCHANGE RATE LAST SATURDAY NIGHT APPEARS TO HAVE HAD SOME CALMING EFFECT. CONCERN IS NOW FOCUSED ON NEGOTIATIONS UNDER GOVERNMENT AUSPICES FOR A SPECIAL WAGE INCREASE. RUMORS ABOUND. END SUMMARY.

2. TWO WEEKS FOLLOWING THE ANNOUNCEMENT OF THE DECISION, THE "FLOAT" REMAINS A MAJOR TOPIC OF CONVERSATION AND A MAJOR PRESS STORY. THE ECONOMY REMAINS IN A STATE OF GENERAL CONFUSION WITH MANY BUSINESS STILL REFUSING TO BUY (AT INFLATED PRICES) OR SELL (AT PRE-FLOAT PRICES). WHILE THERE ARE REPORTS OF HOARDING, WE DO NOT HAVE ANY EVIDENCE OF ESSENTIALS SUCH AS FOODSTUFFS BEING IN SHORT SUPPLY. SOME NON-ESSENTIALS CANNOT BE PURCHASED. GOVERNMENT AGENTS CONTINUE TO POLICE STORES TO ENSURE THAT OFFICIAL PRICES ARE BEING OBSERVED. APPARENTLY A NUMBER OF BUSINESS ESTABLISHMENTS (PERHAPS 500) HAVE BEEN SHUT DOWN FOR EXCEEDING OFFICIAL PRICES.

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3. NEWS FROM THE WAGE FRONT IS NOT ENCOURAGING. IN

ADDITION TO THE GENERAL LABOR NEGOTIATIONS NOW GOING ON, THE CONGRESS PASSED A RESOLUTION PROVIDING FOR A SPECIAL INCREASE IN THE MINIMUM WAGE, TO BE EFFECTIVE FROM OCTOBER 1 TO DECEMBER 31, WHEN A MINIMUM WAGES COME UP FOR THIS ANNUAL REVIEW. A SPECIAL COMMISSION WILL DETERMINED THE SIZE OF THE INCREASE.

4. RUMOS ABOUD. THE MOST RECENT ARE (A) THE GOVERNMENT IS GOING TO FREEZE BANK ACCOUNTS; (B) THE GOVERNMENT IS GOING TO NATIONALIZE THE BANKS; AND (C) THE GOVERNMENT IS GOING TO IMPOSE EXCHANGE CONTROLS. BANKERS ARE OFTEN CITED AS THE SOURCE OF THESE RUMORS. THE FIRST TWO WERE DENIED BY FINANCE MINISTER BETETA PRIOR TO LEAVING ON SEPTEMBER 14 FOR MEXICAN INDEPENDENCE DAY CELEBRATIONS IN LOS ANGELES. BETETA IS GOING TO SPEAK WITH PRIVATE BANKERS WHILE IN CALIFORNIA. THE THIRD RUMOR APPEARS TO HAVE SPREAD ON SEPTEMBER 15, AND MAY REFLECT THE FEAR THAT NATIONAL HOLIDAYS BRING BAD ECONOMIC NEWS.

5. IT IS POSSIBLE THAT THESE RUMORS HAVE STARTED SOME RUNS ON BANKS, BUT WE DO NOT HAVE ANY FIX ON WHAT THIS MIGHT HAVE AMOUNTED TO. WE DO HEAR REPORTS FROM ORDINARY MEXICANS OF CONCERN THAT RISING PRICES AND WAGE INCREASES MIGHT MAKE THE CURRENT RATE UNTENABLE. THIS ATTITUDE PLUS RUMORS COULD REVERSE WHAT IS REPORTEDLY A CAPITAL INFLOW.

THOMPSON

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